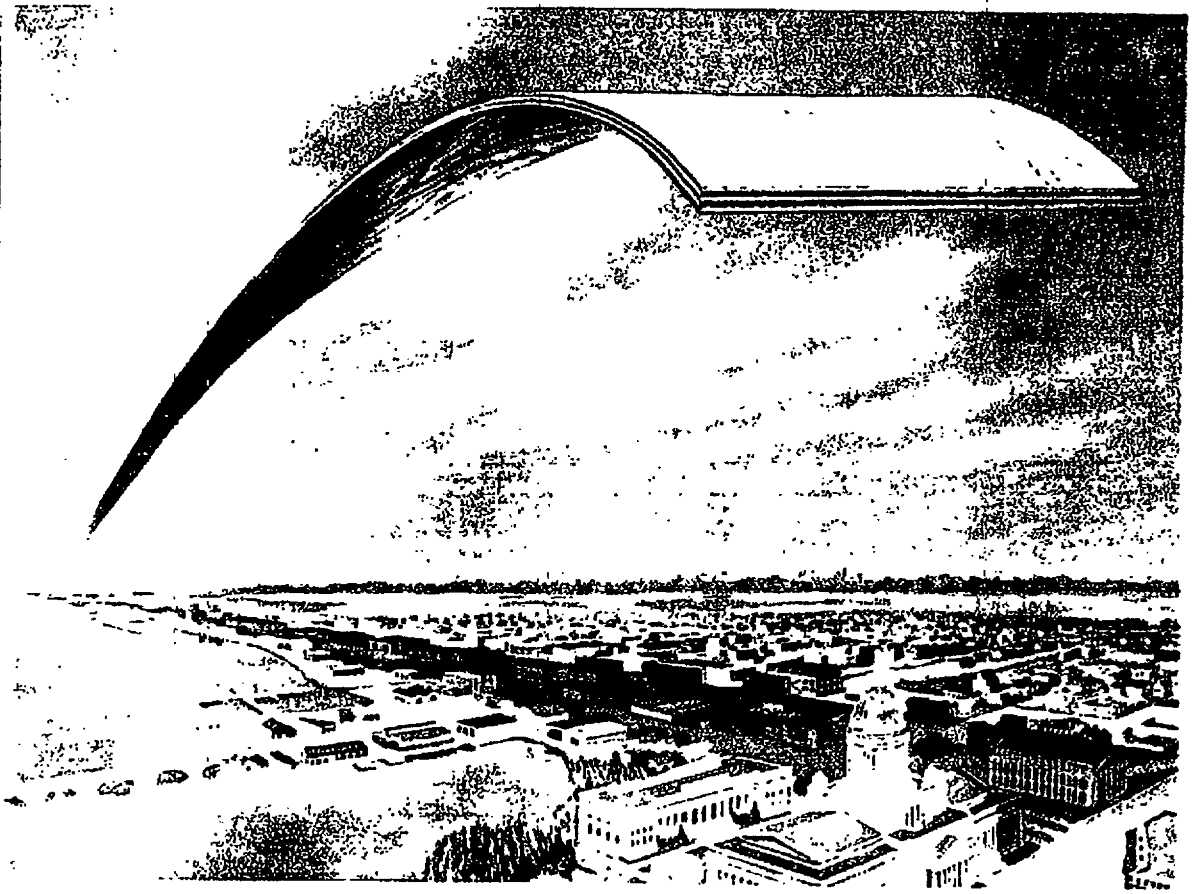
Twenty-fifth Annual Report 1951



GEORGIA—PACIFIC PLYWOOD COMPANY

G-P

HOME OFFICE: *Southern Finance Building, Augusta, Ga.*

ADVERTISING DEPARTMENT: *300 Park Ave., New York, N.Y.*

Divisional Headquarters

EASTERN, *102 Marsh Street, Port Newark, N. J.*

MIDWESTERN, *332 South Michigan Avenue, Chicago 4, Ill.*

SOUTHERN, *Southern Finance Building, Augusta, Ga.*

WESTERN, *600 North Capitol Way, Olympia, Wash.*

Contents

1950	PER COMMON SHARE OUTSTANDING 756,368 SHARES
$58,193,011	$ 76.94
9,211,656	12.18
4,805,000	6.35
532,611	.70
65,251	.08
3,808,794	5.03
472,730	.62½
3,336,064	4.41
9,008,771	11.91
10,051,897	13.28
$16,048,954	
1,354,167	
3,308,198	
1,271,745	
10,114,844	
2,702	
2,122	
335	

1950	PER COMMON SHARE ON 1,132,368 SHARES
$70,052,560	$61.86
12,500,639	11.04
6,184,159	5.46
6,316,480	5.58
532,611	.48
5,783,869	5.10
1,698,552	1.50
4,085,317	3.60

Highlights of

1951

On December 20 we acquired the C. D. Johnson Lumber Corporation through the purchase of its Common Stock, and increased our supply of timber by about 900 million feet.

We increased the Common Stock outstanding by 17% through the sale of 126,000 additional shares, and increased the book value of all Common Stock by $5 per share for the year.

Sales were increased to a new high.

We further strengthened our sales and distributing system through the addition of Company warehouses in Pittsburgh and four other key locations, and by increasing the capacity of our distribution warehouse at Port Newark, New Jersey.

We increased the efficiency of our plywood plants, and raised the capacity of the Springfield, Oregon, plant 25%.

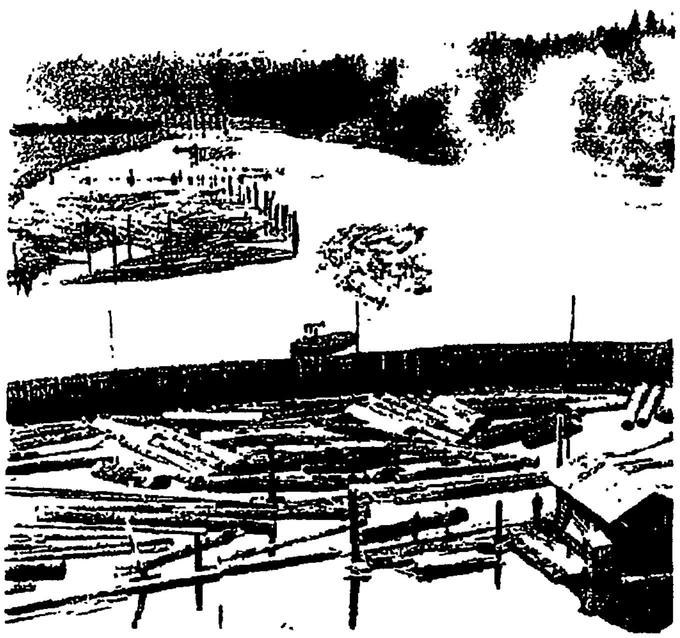
We retired the minority interest in our West Coast subsidiary, Washington Veneer Corporation, and now own 100%.

The Year in Review

1951 Results

Sales were $62,739,314 for the year ended December 31, 1951 as compared with $58,193,011 in 1950. Net profits after taxes for the year 1951 amounted to $3,177,224 as compared with $3,574,015 the previous year. In December Georgia-Pacific acquired C. D. Johnson Lumber Corporation, a large timber owning concern of the Northwest. For the fiscal year ended November 30, 1951 Johnson sales were $13,502,780 and net earnings after taxes $2,510,144. Only $242,077 of Johnson's earnings are included in the Georgia-Pacific 1951 profits reported above.

After payment of Preferred dividends totaling $61,728, Common dividends totaling $1,134,557, or $1.50 per share were paid — four quarterly dividends of 37½¢ each.



The tabulations on page 4 will show the earnings per Common share of Georgia-Pacific adjusted to give effect to the acquisition of the Johnson Corporation and the related financing.

Acquisition of the Johnson Corporation

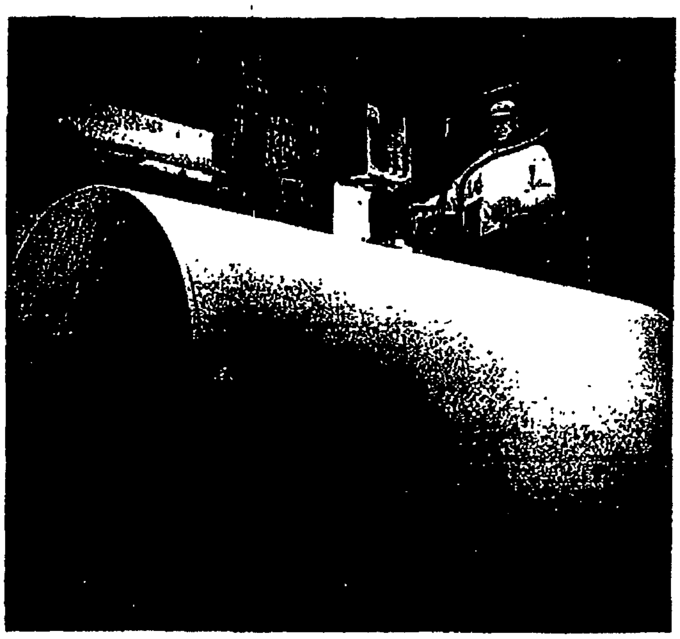
By December 31, 1951 we had acquired 97% of the outstanding capital stock of C. D. Johnson Lumber Corporation. Since December the Company has acquired 100% of the stock at a total cost of approximately $16,500,000.

The major advantage of this purchase to Georgia-Pacific was the acquisition of control of the Johnson Corporation's large timber holdings in northwest Oregon, estimated at approximately 900,000,000 feet with old growth Douglas Fir predominating. This timber is considered to be one of the fine tracts of old growth fir in North America, estimated by independent timber engineers to have a conservative value of $15,000,000. This compares with the cost to Georgia-Pacific of approximately $8,600,000 after deducting the other net assets secured in the acquisition. Georgia-Pacific also acquired in the deal one of the largest lumber mills in Oregon, complete logging, shipping and harbor facilities and the earning power of C. D. Johnson Lumber Corporation which had average net profits before taxes, over the past six years, amounting to approximately $2,750,000 per year.

Financial

The Company provided the initial financing of the Johnson purchase by borrowing $12,600,000 on its 14-month promissory note from Bank of America and provided the $4,200,000 balance of the purchase price from Company funds and through the private sale of 126,000 shares of Common stock. In March 1952 this temporary loan was refinanced on a permanent basis, in

Huge peeler logs are literally unwound on lathes to produce the veneers from which plywood is made

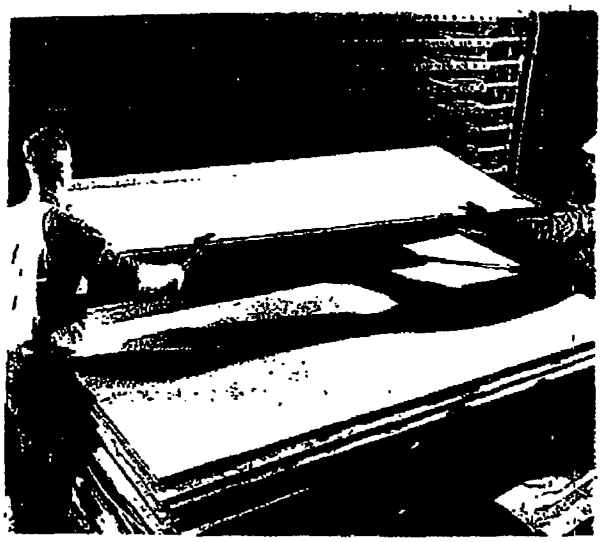


part by the sale of additional Common stock and long term borrowings. A summary of the sources of the permanent funds for the acquisition of the Johnson Corporation is as follows:

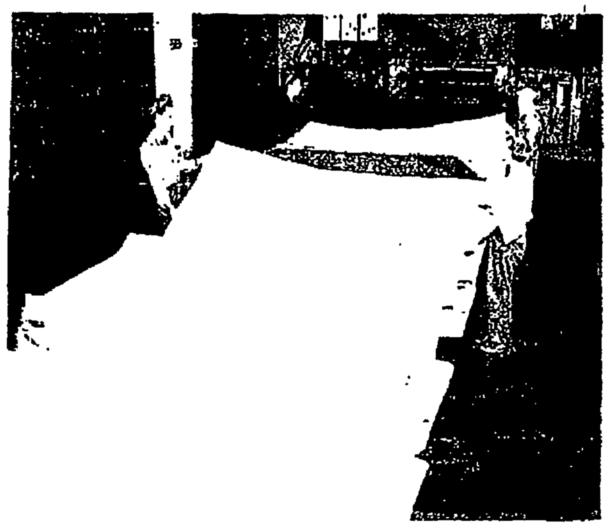
Sale privately of 126,000 shares of Common stock in November 1951 at $20 per share	$ 2,520,000
Sale publicly of 250,000 shares of Common stock in March 1952 at $21 per share, less underwriting commissions	4,882,500
15-year term loan from The Prudential Insurance Company of America	4,000,000
Excess cash funds from the Johnson Corporation	4,000,000
Georgia-Pacific cash	1,397,500
	$16,800,000

At the conclusion of the financing the number of Common shares outstanding had increased from 756,368 to 1,132,368 and our working capital position was ample to provide for our business needs. Giving effect to this financing on a pro forma basis, as of December 31, 1951, our current assets were $21,830,788, including cash and Government Bonds of $9,338,187 against total current liabilities of $9,757,824, leaving net working capital of $12,072,964.

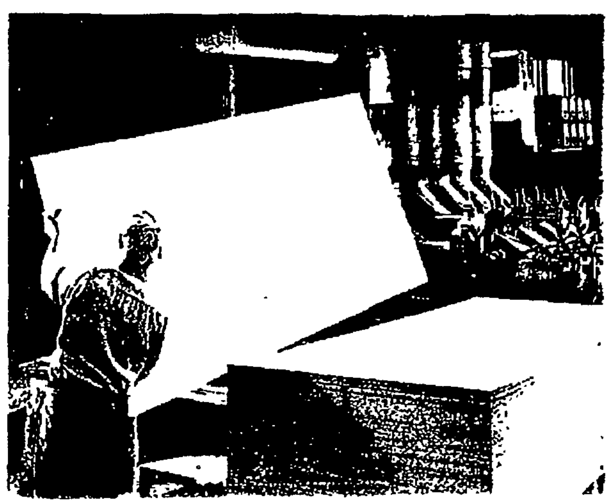
The details of the financing are given in the Prospectus, dated March 5, 1952, issued in connection with the public offering of the Common stock, which is available upon request.



Plywood sandwiches are processed with heat and pressure in huge hydraulic presses.



Plastic impregnated sheets are placed on selected veneers during the manufacture of GPX popular plastic-faced Plywood



Plywood panels are carefully inspected after going through the final [illegible]

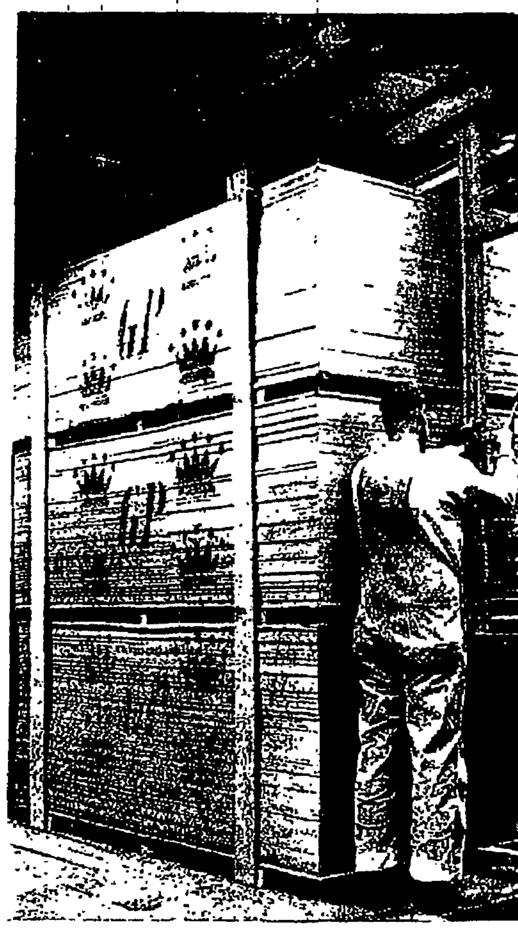
Other Corporate Developments

Early in the year, the $2,065,700 minority interest in our subsidiary, Washington Veneer Corporation, was retired through the redemption of all of the outstanding shares of its 5% Cumulative Preferred stock.

In July 1951 the Company disposed of its smallest lumber plant, at Walterboro, S. C., to the Manager, but retained a sales contract to continue to handle the output of the mill.

Timber

In the conduct of its operations, the Company's policy for many years has been to obtain about 2/3 of its timber requirements through purchases in the open market and through cutting contracts, and to provide the remaining 1/3 from our owned timber reserves. No change is contemplated in this general policy so long as timber is available at reasonable prices. In 1951, with



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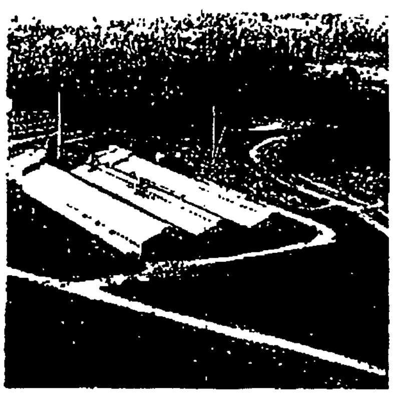

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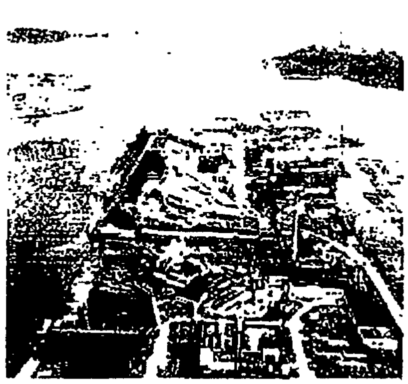
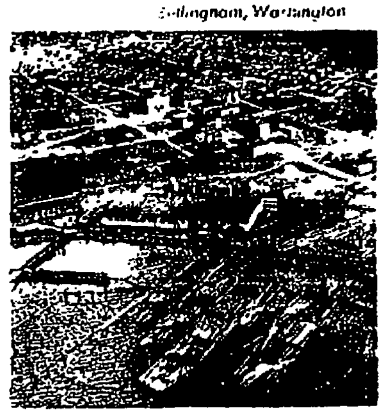


Plywood plant,
[illegible]llingham, Washington



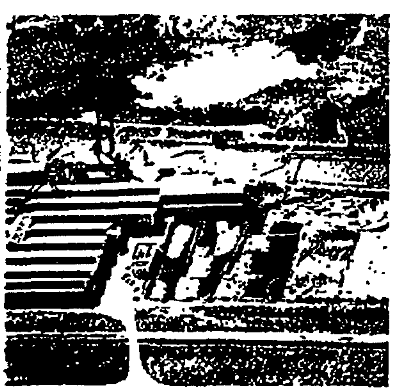
our volume reaching a new high, it was decided that it was desirable to have larger timber reserves in the event that substantial purchases of peeler logs could not be advantageously made. Accordingly, the Company negotiated the purchase of C. D. Johnson Lumber Corporation mentioned above.

Our timber reserves in the Northwest, including the Johnson acquisition, now approximate 1,200 million feet. In addition, the Company has several purchase contracts with others under which peeler logs are made available to the Company. One of the most important of these is with the Booth-Kelly Lumber Company which owns a 25% interest in our Springfield, Oregon, mill.

In 1951, approximately 70% of the timber requirements of our Western plywood mills was purchased from others. On the basis of the presently owned and controlled reserves, and in view of the fact that all of these operations are conducted in the heavily forested areas of western Washington and Oregon, in which substantial timber stands are periodically offered for public sale, the Company does not anticipate any material shortage of timber supplies for its plywood and lumber operations in the Northwest in the foreseeable future. However, in view of the increasing demands for timber, the Company is unable to forecast the extent to which it will be possible to purchase the bulk of its log requirements from others in pursuance of its established policy, and it is therefore impracticable to estimate the extent to which it may be found necessary or advantageous to draw on its own reserves.

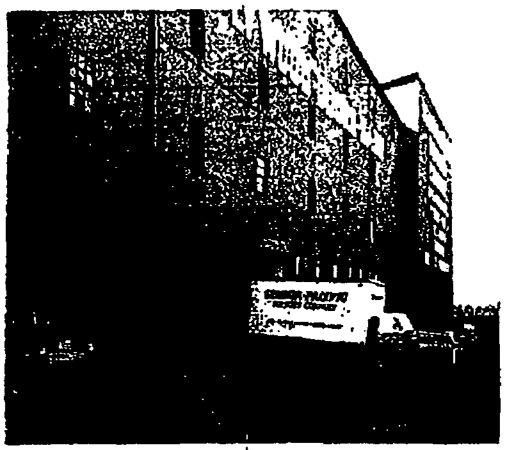
The timber requirements of our Southern mills have been supplied to the extent of approximately 2/3 from owned or leased lands, or under cutting contracts, and to the extent of approximately 1/3 through log purchases from others. The Company foresees no difficulty in adhering to approximately these ratios in procuring the timber

Plywood plant,
Springfield, Oregon

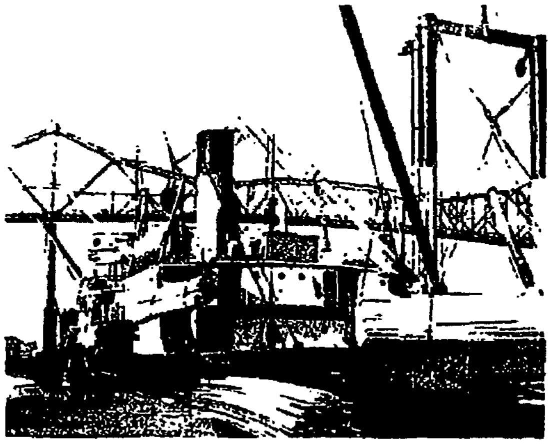


Door plant,
Hoquiam, Washington

Newly acquired Johnson lumber mill
at Toledo, Oregon



Wholesale distribution warehouse at Pittsburgh, Pennsylvania, one of nineteen strategically located distribution points.



Company products have always been distributed worldwide. This shipment of lumber being loaded at Charleston, South Carolina, is bound for Jamaica.

requirements of these mills in the future. The Company estimates that the amount of timber presently available to these mills from lands owned or leased or with respect to which the Company has cutting rights, aggregates approximately 110 million board feet, with options on some 35 million feet additional.

Prices

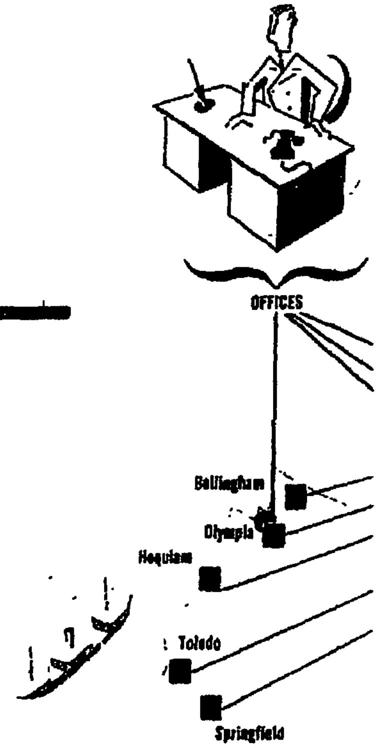
During the year the defense program had an important influence upon production and prices in the industry. In the summer the Government issued instructions for the manufacturers of Douglas Fir plywood to set aside first 20% and then 30% of their production for Government use. Military buying for the fiscal year ending June 30, 1952 was expected to amount to 200 million square feet with an additional 500 million square feet to come indirectly into the defense program. Due to delays in Government procurement, however, less than 20 million feet for the military had been taken by the end of December 1951.

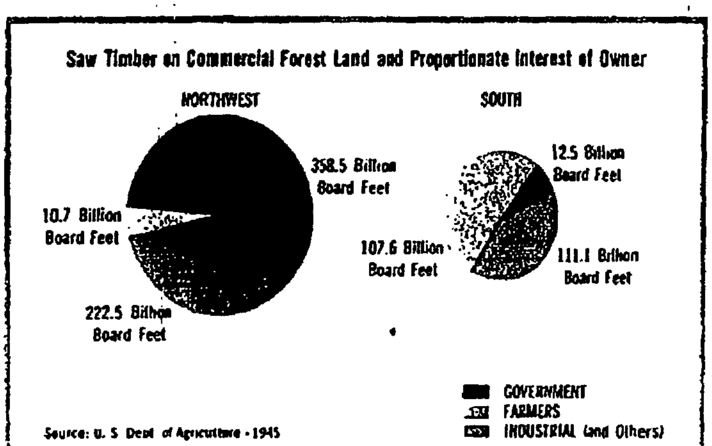
The first effect of the set-aside orders was to stimulate production on the part of manufacturers and to advance buying on the part of customers, many of whom may have feared Government demands would create a shortage. When Government orders did not materialize to the indicated extent forward buying on the part of customers ceased and a tendency to reduce inventories developed. This resulted in price reductions during the last quarter from an index price of $95 to a low of $75 at which level there was no profit. This was accompanied by widespread production cuts throughout the industry. During the month of December, however, civilian and commercial consumption which had not materially slackened at any time had so reduced jobber inventories throughout the country that a higher rate of production soon prevailed. In January our index price was revised upward to $82.50 and in February

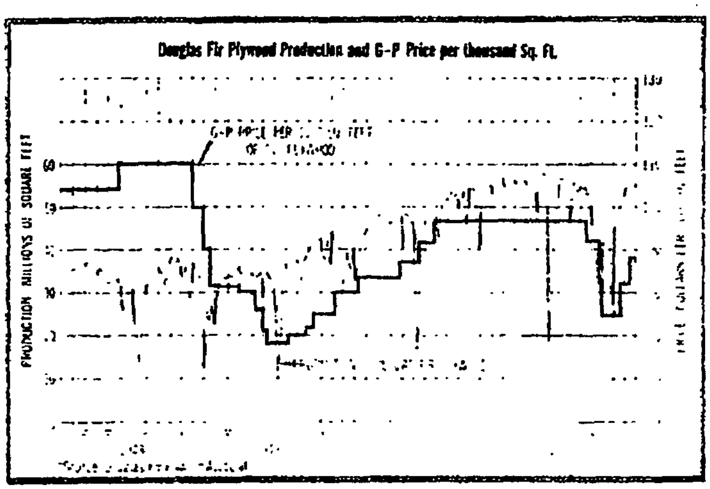
Constant improvement in the quality and performance of G-P plywood is assured through intensive [illegible] and quality control. Up-to-date machinery and methods have been supplemented with scientific checking and control measures [illegible] crucial [illegible] of production process. From log selection to loading cars of plywood, laboratory technicians and trained operators keep up their systematic checks to be sure that every G-P panel that leaves the mill [illegible] to the [illegible]

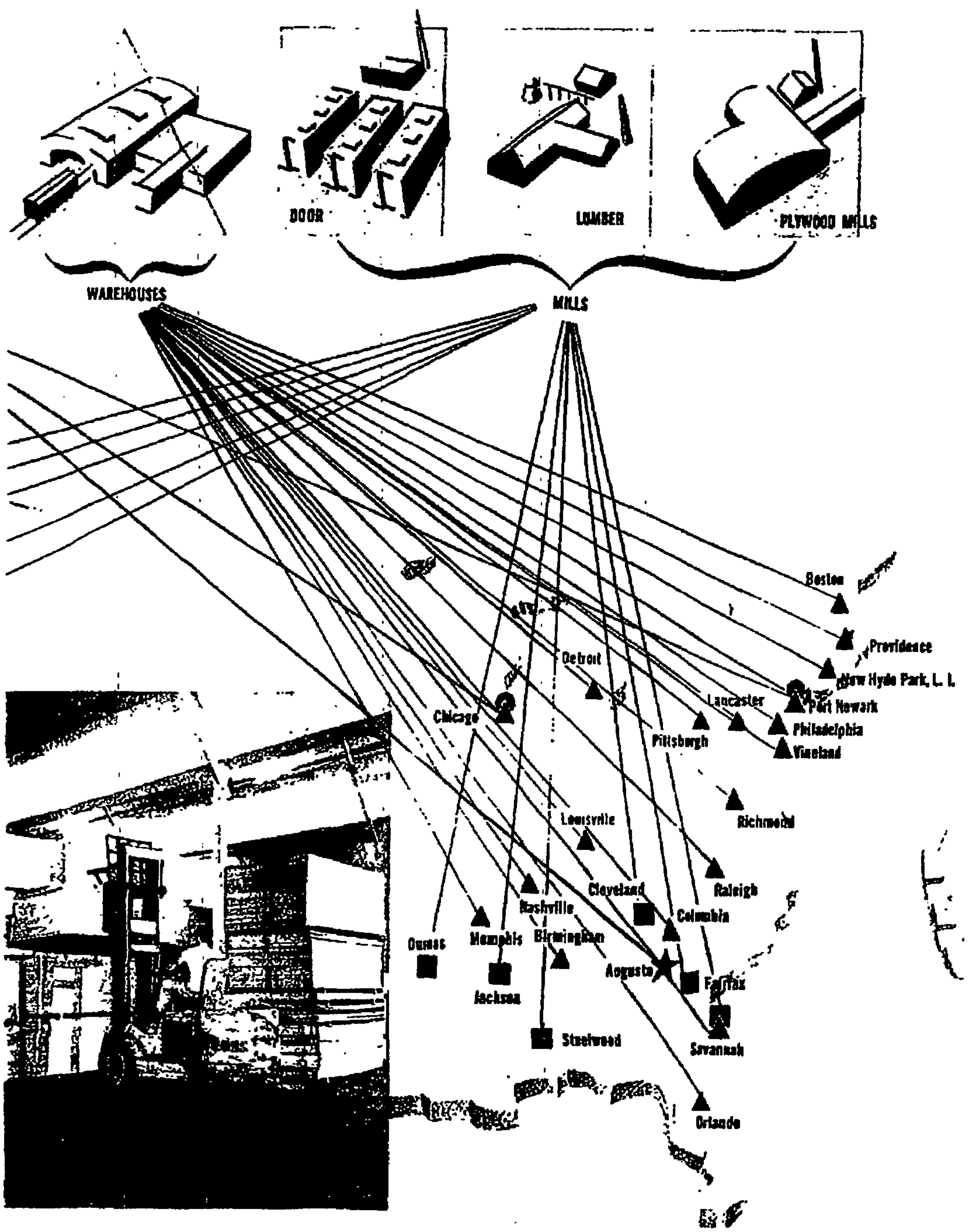
Product research and quality control

Georgia-Pacific offices, warehouses and plants









The Northwest and the South are the source of more than 90% of American saw timber

Department of Agriculture 1946

to $88. Reflecting buyers' requirements for plywood, orders during the first quarter of this year have been in excess of production. The range of prices and production rates is indicated by the chart on page 14.

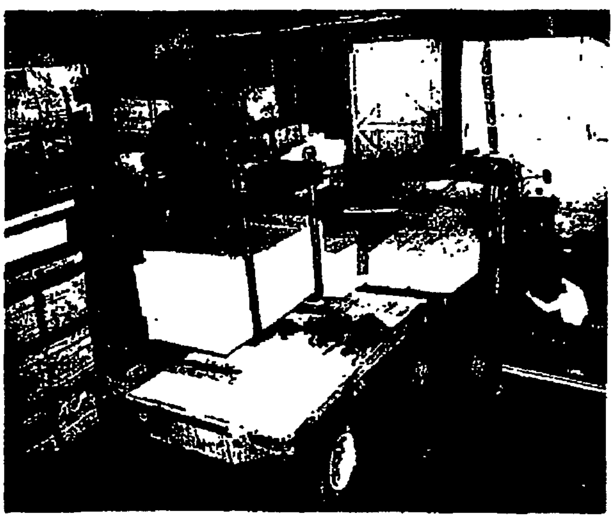
Industry Growth

Approximately 7/8 of Georgia-Pacific's plywood production is Douglas Fir, and we continue to support the Douglas Fir Plywood Association in its program designed to stimulate increased use of plywood for all purposes. During the past year, more and more manufacturers turned to the use of plywood for the first time. Much of the industry's growth is due to the fact that industrialists of all types who first use plywood continue to use it because of the superior quality it gives to their own product and because of its lower cost. Plywood can often be applied in place of some other material at a reduced labor cost. The saving, plus its great strength, lightness of weight and ease of working, tend to bring any new user back for repeated and regular purchases.

Reflecting increased uses, as well as a continued high level of business activity, the demand for plywood last year again increased over the preceding year. Production of Douglas Fir plywood in 1951 totaled 2,620,000,000 square feet compared to 2,500,000,000 in 1950.

Production

Production at our Western plywood mills is now again on a twenty-four hour day, five-day week basis. Some additions were made to production facilities during 1951. For example, by improving our manufacturing processes and through the addition of equipment, the capacity of our Spring-



Georgia-Pacific's wholesale distribution warehouse at Port Newark, New Jersey, one of the Company's outlets for serving major industries and thousands of retail dealers and through them hundreds of small industrial users.

field, Oregon, plywood plant was increased by 25%. Acme Door Corporation, a wholly owned subsidiary, with 128,000 square feet of manufacturing space, has produced more than 100,000 doors in a given month. All of the Company's southern plants operated normally throughout the year.

Our combined mills now represent on our books an investment of $7,288,399. They have an appraised depreciated value, however, in excess of $18,000,000, a figure more nearly in line with their actual productive capacity.

Labor Relations

Labor relations were good and there were no work stoppages during the year. Present labor contracts of our Western operations are up for renewal in May 1952. Current developments as to wages in the steel industry may prove to be a disturbing influence in our plants where our minimum rates are already among the highest in all industry while plywood prices are substantially below those in effect most of last year.

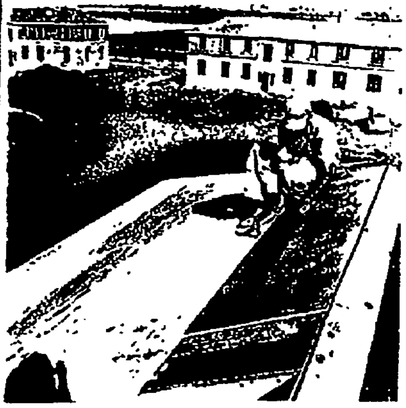
Research and Product Development

Industrial uses of GPX, our popular plastic-faced plywood, have been expanded through research and development.

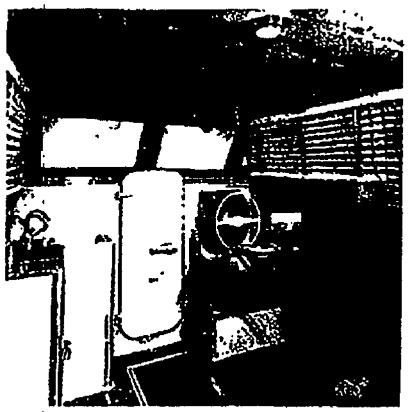
A new low-cost decorative wall paneling was developed and is being introduced to the market under the trade name Wedge-Wood. Early results lead us to believe this product has great potential. A new line of interior and exterior Decorator doors is now being offered to the market as The Modern Series, and a radical new style of low-cost door is undergoing pre-marketing tests.

In our modern laboratory at Olympia, our research staff runs continuous studies in connection with quality control and explores methods for more economical production of plywood of all types. They also develop and test new products to accomplish maximum utilization of raw materials.

Field salesmen are given latest product information and sales policies are discussed at regular meetings, such as this one held at Princeton, New Jersey.



Billy Mitchell Village at Kelly Field, Texas. Defense housing such as this is an important market for the Company's Fir and Hardwood Plywoods



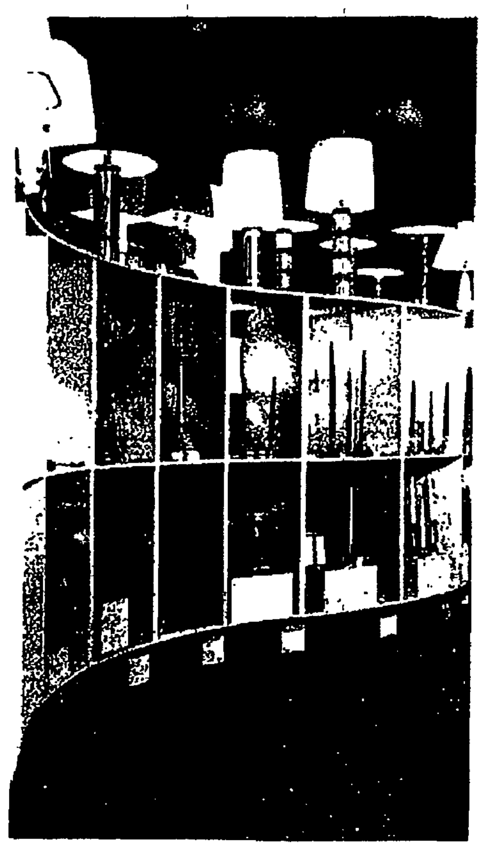
GPX plastic faced Plywood was selected as the cabin lining for this new non-sinkable cruiser.

Concrete forms of GPX speed the construction of United States Steel Corporation's new Fairless Works.

Sales and Distribution

Sales are directed on a decentralized basis from four geographically distributed divisional headquarters. Port Newark, New Jersey is headquarters for the Eastern Division; Chicago, Illinois for the Midwestern Division; Augusta, Georgia for the Southern Division; and Olympia, Washington for the Western Division. Export Departments are maintained at Olympia, Washington for Western products and at Augusta, Georgia for Southern products. Domestic sales of carload lots are made and shipped direct to the purchaser under the direction of the salesmen in whose divisional territory the customer is located. Smaller quantities are sold from our own warehouses or through selected jobbers.

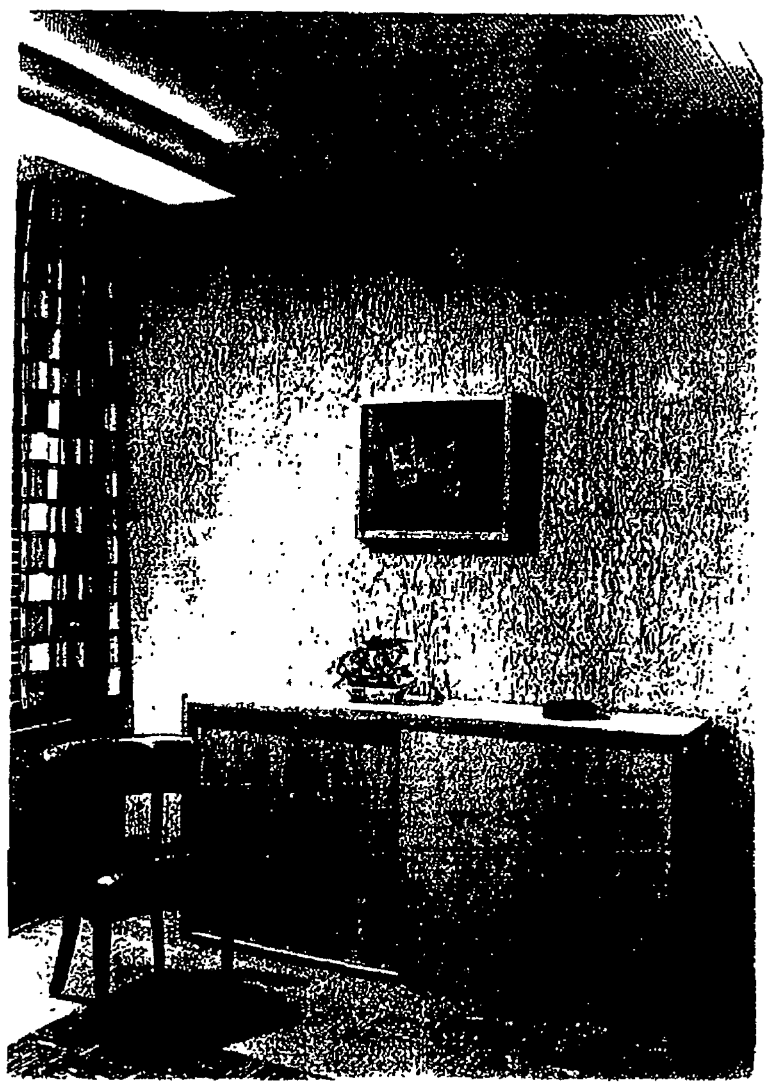
The map in the center of this book shows what parts of the country are served by



Fixture and display manufacturers have found tough GPX an important new material

The important Midwest market is served from the diversified stocks of the Company's Chicago, Illinois, wholesale distribution warehouse.

WedgeWood—a richly textured low-cost decorative wall panel is opening new markets in the field of modernization as well as new construction.



our own warehouses. The other areas are served mainly through jobbers. Jobbers are selected according to their inclination and ability to carry a full line of our products. Owing to inadequate jobber representation in some territories, we increased our Company-operated warehouses last year and now carry stocks of our products in nineteen Company-operated locations.

Our salesmen meet periodically in each Division for supervised discussion groups. These sessions are for the dual purpose of training men in improved sales methods and of exchanging knowledge of specific requirements of our customers which the men have gained from their contacts in the field. One result of these sales meetings has been to equip our sales personnel to anticipate and more effectively fulfill the requirements of the industrialists, dealers and jobbers who are our principal customers.

The jobber and dealer are important factors in our sales program. Much of our promotional material is planned to aid them in their contacts with the ultimate user of our products. Our sales material, like our advertising, helps these independent businessmen to increase their sales of our products and strengthen the relationships with their customers through improved service.

Advertising

The Company's sales efforts are supported by vigorous advertising and sales promotional material. Direct mail is extensively used by the individual warehouses in addition to space advertising in dealer, builder and contractor magazines.

Specialized campaigns are directed to industrial management and other volume users through selected trade journals and other publications.

Literature, displays and point-of-sale helps, designed to help retail dealers and jobbers sell Georgia-Pacific products to the ultimate consumer are an important adjunct to our overall sales effort.

During the year we built offices at Olympia, Washington (our Western headquarters) and at Port Newark, New Jersey (Eastern headquarters), using GPX and other Company products. At these key locations our sales people use these buildings as effective testimonials of product quality and usefulness.

Conclusion

The year's work which I have attempted to summarize in this report is a result of the cooperative effort of approximately 3500 people of the Georgia-Pacific team. It was one of the best years in our history — for the employees and for the stockholders. I cannot close this report without extending my sincere thanks to each one for the achievement.

Respectfully submitted,

O. R. Cheatham
President

March 31, 1952

Products

Douglas Fir Plywood
WedgeWood Plywood
Hardwood Plywoods and Veneers
GPX Plastic-Faced Plywood
Giant-Sized Scarfed Panels
Fir and Hardwood Doors
Douglas Fir Lumber and Timbers
Western Pine Lumber
Cypress and Redwood Lumber
Western and Southern Mouldings
Southern and Appalachian Hardwood Lumber
Long Leaf and Short Leaf Pine Lumber and Timbers
Residential and Factory Flooring
Treated Lumber and Timbers
Poles and Piling

Divisional Sales Offices

Eastern, *102 Marsh Street, Port Newark, N. J.*
Midwestern, *332 South Michigan Avenue, Chicago 4, Ill.*
Southern, *Southern Finance Building, Augusta, Ga.*
Western, *600 North Capitol Way, Olympia, Wash.*

Wholesale Distributing Warehouses

Birmingham, Ala., *521 North 28th Street*
Boston, Mass., *Castle Island Terminal*
Chicago, Ill., *1805 Bryn Mawr Avenue*
Columbia, S. C., *Key and Bluff Roads*
Detroit, Mich., *5159 Loraine Avenue*
Lancaster, Pa., *250 North Plum Street*
Louisville, Ky., *1239 South 10th Street*
Memphis, Tenn., *1333 South Kansas Street*
Nashville, Tenn., *Harrison at 7th Avenue*
New Hyde Park, N. Y., *Second Avenue & 4th Street*
Orlando, Fla., *734 Brookhaven Drive*
Philadelphia, Pa., *Pier 179 North, Delaware River at Allegheny Avenue*
Pittsburgh, Pa., *33rd & Liberty Streets*
Port Newark, N. J., *102 Marsh Street*
Providence, R. I., *Harborside Industrial Park*
Raleigh, N. C., *1431 Courtland Drive*
Richmond, Va., *1910 Petersburg Pike*
Savannah, Ga., *Stiles Avenue & Louisville Road*
Vineland, N. J., *417 Oxford Street*

Mills

Olympia, Washington	Steelwood, Alabama
Bellingham, Washington	Dumas, Arkansas
Springfield, Oregon	Jackson, Mississippi
Hoquiam, Washington	Cleveland, South Carolina
Savannah, Georgia	Fairfax, South Carolina

Toledo, Oregon

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